

1 commodity. Undifferentiated.

2 Q. Do any of these reports suggest any
3 possible competitive responses by McCaw?

4 A. I think all of them suggest responses
5 that range from do better to price lower, offer
6 new features, you know, sort of the normal
7 things. Sort of what you would expect.

8 Q. Who prepared these reports that we're
9 talking about here?

10 A. Well, probably the most definitive
11 work, if I remember right, would have come out of
12 the marketing department. Specifically out of the
13 people associated with new products under Jordan
14 Roderick.

15 I remember a rather lengthy report on
16 the subject, going back, I guess, a year and a
17 half, two years ago, year and a half maybe,
18 perhaps even a year ago on the subject of what we
19 at that time called PCN, personal communications
20 network.

21 That would be one, as an example. I
22 have seen reports prepared for us in other

1 markets, such as Los Angeles on the subject of
2 competitive threats from other entrants and
3 appropriate responses.

4 That was done by an outside
5 consultant, if I remember correctly, under the
6 direction of L.A. Cellular, it was their marketing
7 guy.

8 Q. Do you remember who the consultant
9 was?

10 A. No, but I would say it goes back a
11 year and a half. No, I don't remember.

12 I mean, I'm quite sure it would be in
13 those documents we gave you, just in those -- a
14 little book like that. It was mostly going after
15 the ESMR entrant in L.A. at the time, Nextel, who
16 was then called Fleet Call.

17 So, maybe in the BOCs it is called
18 Fleet Call but they have changed their name since
19 then.

20 Q. Have you done any subsequent
21 competitive assessments of ESMR?

22 A. On a formal basis, only at sort of the

1 local market base, local or regional market
2 level. California, which is sort of Nextel's next
3 entry, they have done some thinking about it, what
4 we would do to respond.

5 Q. What is their thinking about whether
6 or not ESMR will work in providing cellular
7 quality service?

8 A. Well, to the first question, I don't
9 think there is any question that it will work.
10 Given the resources and people involved, a lot of
11 whom used to work for us -- may I get a drink of
12 water.

13 Q. Sure.

14 (A brief recess was taken).

15 THE WITNESS: It will work. It does
16 work. It is working now.

17 Did you say will it provide the same
18 level of service as cellular?

19 Q. Yes.

20 A. If they run it at full rate, which
21 they currently are not, they are running at half
22 rate to get more channel capacity.

1 At full rate, there is no reason to
2 believe that it wouldn't be of same quality as
3 digital TDMA cellular, because that's about what
4 it is, provided by Motorola, who is certainly
5 competent in these areas.

6 I don't believe that I have ever seen
7 a study or any analysis that would be taken
8 seriously that implied that it wouldn't work and
9 that that would be the competitive reaction, you
10 know, just sit around and wait for it not to
11 work.

12 I do think that they have one specific
13 competitive advantage that we have so far not been
14 able to counter.

15 That is that they can regulatorily get
16 around the issue of dispatch broadcast, which we
17 can't. That's one of the few prohibitions against
18 a cellular provider. They have grown up in that
19 business so they know that business pretty well
20 and they can provide that service and we simply
21 can't.

22 So, as a result over the years, we

1 have just not tended to get those kind of
2 customers and they have gotten them and they are
3 switching them to cellular.

4 But I don't know of any distinctive
5 advantage they have over us other than that.

6 Q. You said that if they are operating
7 at -- at full rate they could offer these services
8 but they are not operating at full
9 rate.

10 A. At half rate which is 4800 BAUD
11 channel, which I think is half -- their channels
12 are divided differently than ours. Kauser can
13 answer this better than I.

14 Basically you only have half as many
15 bits to send -- to try to send the voice signal
16 that's coded and decoded and what is called the
17 vocoder where you look.

18 As a result, the voice sounds more
19 scratchy, more robotic, more unreal.

20 If you're a cab driver and you have
21 been using a dispatch service and now you got
22 cellular phone service and it happens to be

1 scratchy, that ain't no big deal because that's
2 still better, half a loaf is better than no loaf
3 at all.

4 But for an established cellular
5 customer, if all he was going to do is swapout for
6 that, he would demand a significant price
7 reduction to put up with that kind of service or
8 he wouldn't put it with it at all if he was price
9 insensitive. That's all I mean by that.

10 We have considered that ourselves. We
11 could run ours on half rate and we do on Claircom
12 plan to run it half rate.

13 Q. Do you know what ESMR's -- let's talk
14 about what L.A. -- Nextel's plans are?

15 A. Our presumption is they are going to
16 abandon their plan to run at half rate; that they
17 are going to be forced to -- at least if they are
18 going to go out and get any pure cellular
19 customers.

20 We could be wrong and maybe we're
21 whistling past the graveyard.

22 Q. What will full rate do to their

CERTIFICATE OF SERVICE

I, Shevry Davis, hereby certify that I have this 12th day of September, 1994, caused to be delivered copies of the foregoing "Comments of the National Cellular Resellers Association" to the following:

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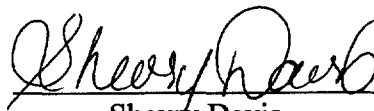
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